

Message Text

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ACTION SS-25

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R 180755Z SEP 73

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TO SECSTATE WASHDC 6841

S E C R E T TOKYO SECTION 1 OF 2 12046

EXDIS

C O R R E C T E D C O P Y TO ADD SECTION INFO

DEPT PLEASE PASS SECY SHULTZ FOR CLEARANCE BEFORE MAKING
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E.O. 11652: GDS

TAGS: GATT, ETRD, EFIN JA

SUBJECT: DRAFT MEMCON SECY SHULTZ CONVERSATION WITH FONMIN OHIRA
SEPT 13

1. FOLLOWING DRAFT MEMCON OF CONVERSATION WITH FONMIN
MASAYOSHI OHIRA AT 1115, SEPTEMBER 13, SUBMITTED FOR
CLEARANCE BY SECRETARY SHULTZ. MEETING ALSO ATTENDED ON
JAPANESE SIDE BY MIYAZAKI (DIRGEN, ECON BUREAU), SAITO (SECOND
NORTH AMERICA DIVISION, FUJII (PRIVATE SECY) AND NUMATA
(INTERPRETER), AND ON US SIDE BY AMBASSADOR INGERSOLL, UNDER-
SECRETARY CASEY, FLANIGAN, HORMATS AND WICKEL (INTERPRETER).

2. BEGIN DRAFT MEMCON. QTE

OHIRA WELCOMED SECRETARY AND EXPRESSED APPRECIATION OF
PRIMIN TANAKA AND SELF FOR WARM WELCOME TO WASHINGTON BY
PRESIDENT AND OTHER USG OFFICIALS, AND FOR QTE SATISFACTORY
DISCUSSION UNQTE DURING RECENT SUMMIT.

SECRETARY REPLIED THAT IT WAS OUR PLEASURE, ADDING THAT
SUMMIT FOLLOWED ON HEELS OF INTERNATIONAL MONETARY CONFERENCE
ATTENDED BY FINMIN AICHI, WHICH AFFORDED GOOD OPPORTUNITY TO

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DISCUSS MONETARY PROBLEMS.

3. OHIRA NOTED INITIAL GOJ QUALMS ABOUT HOSTING GATT

MINISTERIAL CONFERENCE, BUT EXPRESSED APPRECIATION AS CHAIRMAN THAT US DELEGATION SHIFTED TO NEW POSITION WHICH HELPED ASSURE SUCCESS OF CONFERENCE.

4. SECRETARY PRAISED GOJ FOR CONCEPTUALIZING IN 1971 IMPORTANCE OF HOLDING TRADE DISCUSSIONS IN MULTILATERAL SETTING, PARTICULARLY PRIMIN TANAKA (THEN MITI MINISTER) FOR PLAYING LEADING ROLE IN PROPOSING AND BRINGING ABOUT THIS CONFERENCE. US AND OTHER DELEGATIONS APPRECIATED FINE ARRANGEMENTS AND HOSPITALITY OF GOJ, WHICH CONTRIBUTED MUCH TO SUCCESS OF CONFERENCE, NOT LEAST OF WHICH WAS ABLE PERFORMANCE BY CHAIRMAN.

5. OHIRA SAID THAT JAPAN QTE RUSHED IN WHERE ANGELS FEAR TO TREAD UNQTE TO ORGANIZE FIRST INTERNATIONAL CONFERENCE THIS SCALE. (JAPANESE PROVERB: BLIND MAN DOES NOT FEAR TO TREAD ON SNAKE.) SECRETARY NOTED THAT JAPANESE HAVE PROVERB FOR EVERY OCCASION, AND RECALLED THAT MINISTER ZENTARO KOSAKA (DIRECTOR GENERAL, ECONOMIC PLANNING AGENCY) ENCOURAGED CONFERENCE PARTICIPANTS WITH PROVERB INTERPRETED QTE CONTINUE WORKING WITH SMILE UNQTE.

6. OHIRA, SEIZING ON WORD QTE SMILE UNQTE, SAID THAT JAPANESE SHOULD BE CAREFUL IN JAPAN-US RELATIONS NOT TO SAY QTE YES UNQTE WITH SMILE, BECAUSE AMERICANS DO NOT UNDERSTAND WHETHER THIS EXPRESSES AGREEMENT OR OPPOSITION. OHIRA SAID THAT HE CONCEIVES OF OWN DUTY TO SAY QTE YES UNQTE CLEARLY AND DISTINCTLY, WHEN HE INTENDS TO SAY QTE YES UNQTE, AND QTE NO UNQTE WHEN HE INTENDS TO SAY QTE NO UNQTE AND STRESSED IMPORTANCE OF MANAGING JAPAN-US RELATIONS ON THAT BASIS.

7. SECRETARY SAID THAT REAL PROGRESS HAS BEEN MADE IN SOLVING US-JAPAN ECONOMIC PROBLEMS, WHICH ALLOWS FOR GENUINE SMILE, BUT AT SAME TIME HE URGED THAT WE NOT LET DOWN AND LOSE MOMENTUM WHICH HAS BEEN BUILT UP.

8. OHIRA, REFLECTING ON NATIONAL CHARACTER, SAID THAT JAPANESE TEND TO BE CRITICAL WHEN JAPAN-US ECONOMIC RELATIONS ARE STRAINED, BUT SOON TURN OPTIMISTIC WHEN COOPERATION LEADS TO RELAXATION

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OF TENSION. HE AGREED THAT DANGER CITED BY SECRETARY DOES EXIST. NO ONE COULD FORESEE WHEN, OR WHERE SOME FRICTION MIGHT OCCUR, GIVEN SCALE OF JAPAN-US ECONOMIC RELATIONS. HE BELIEVED, THEREFORE, THAT PEOPLE AS WELL AS GOVERNMENTS SHOULD REMAIN READY TO RESOLVE POSSIBLE FRICTION IN COOL MANNER, HIMSELF IN PARTICULAR.

9. SECRETARY AGREED AND NOTED CERTAIN RELEVANCY OF ABOVE COMMENT TO PROBLEM OF REFORM OF INTERNATIONAL MONETARY SYSTEM. IN ONE SENSE, OLD MONETARY SYSTEM ALLOWED PROBLEMS TO PILE UP, OBSCURED BY FIXED EXCHANGE RATES, UNTIL THEY BURST OUT OF

CONTROL LIKE WATER BURSTING DAM. THEREFORE, WE HAVE PROPOSED NEW SYSTEM WHICH PROVIDES FOR GREATER FLEXIBILITY TO ALLOW MINOR ADJUSTMENTS AS REALITY CHANGES, AND TO PREVENT PROBLEMS FROM BUILDING UP. OUR PROPOSAL WOULD PERMIT NATIONS TO MAKE NECESSARY ADJUSTMENTS ON SMALLER SCALE IN SYSTEMATIC MANNER. WE ALSO SEEK SYMMETRY IN SYSTEM, AND GREATER DEGREE OF DISCIPLINE FOR NATIONS IN SURPLUS AS WELL AS DEFICIT.

10. OHIRA EXPRESSED UNDERSTANDING. NOTING THAT DOLLAR WAS SO STABLE THROUGHOUT POST-WAR PERIOD THAT MOST JAPANESE BELIEVED IT MORE VALUABLE THAN GOLD, OHIRA SAID THAT JAPANESE BELIEVED THAT 360-1 EXCHANGE RATE WAS IMMUTABLE. HE OBSERVED THAT DOLLAR HAD SIMPLY BENEFITTED FROM FAVORABLE CIRCUMSTANCES PROVIDED BY HISTORY, BUT NO JAPANESE CONSIDERED POSSIBILITY THESE WOULD CHANGE, DESPITE POSSIBILITY OF OTHER CONDITIONS ARISING. THEREFORE, HE SAID THAT JAPANESE WERE SHOCKED WHEN DOLLAR BECAME SHAKY.

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11. OHIRA AGREED THAT ALL NATIONS FACE SUCH MAJOR PROBLEMS AS EXPANDING TRADE, REFORMING MONETARY SYSTEMS, AND SECURING STABLE FOOD RESOURCES. ALL MUST WORK TO CREATE UNDERSTANDING REQUIRED TO BUILD NEW INTERNATIONAL MONETARY SYSTEM, HOWEVER DIFFICULT THIS MAY BE. JAPAN, HE SAID, COMPLETELY WITHIN DOLLAR BLOC AND WOULD THEREFORE FULLY COOPERATE WITH UNITED STATES IN COMMON EFFORT TO REBUILD THE INTERNATIONAL MONETARY SYSTEM, SINCE ITS POSITION DIFFERS SOMEWHAT FROM EUROPEANS. HOWEVER, HE ASKED THAT SECRETARY KEEP IN MIND FACT THAT GOJ COULD DOUBLE ITS OWN DOMESTIC ECONOMIC PROBLEMS BY COOPERATING WITH UNITED STATES.

12. SECRETARY SAID THAT TIME HAS COME FOR REFORM OF INTERNATIONAL MONETARY SYSTEM, NOW THAT REAL START HAS BEEN MADE IN TOKYO ON TRADING SYSTEM. INTERNATIONAL ECONOMIC PROBLEMS PROVIDE UNUSUAL OPPORTUNITY FOR CREATIVE EFFORT TO COOPERATE IN THEIR SOLUTION, AND SIMULTANEOUSLY FOR REFORM IN ANOTHER DIMEN-

SION OF OUR DIPLOMATIC RELATIONS AS WELL. HE ALSO NOTED THAT INTERNATIONAL ECONOMIC SYSTEM, I.E. MONETARY ASPECT, HAS INTEGRITY OF ITS OWN, AND THAT LAWS OF ECONOMICS ARE RELENTLESS IN SHOWING WHAT WOULD NOT WORK. HOWEVER, HE URGED THAT WE MOVE AHEAD AS WE FIND THINGS THAT DO WORK, I.E. IN TRADE WHICH IS AREA WHERE WE ALL GAIN. UNLESS BUYER AND SELLER EACH GAIN, THEY DO NOT TRADE. HE NOTED CONTRAST OF ABOVE WITH OTHER ASPECTS OF INTERNATIONAL LIFE IN WHICH THERE CAN BE NO WINNER, AND NO LOSER. HOWEVER, PRESIDENT NIXON'S PROPOSALS, HE REASONED,

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MEAN THAT EVERYONE WINS, THUS OPENING WAY FOR ALL OF US TO DO MUCH IN THIS CREATIVE PERIOD IN INTERNATIONAL RELATIONS.

13. OHIRA COMMENTED THAT THERE WOULD BE NO NEED TO REBUILD INTERNATIONAL MONETARY SYSTEM HAD DOLLAR REMAINED STABLE, BUT AGREED TO CONSIDER SERIOUSLY OPPORTUNITIES FOR CREATIVE ACTION IN REBUILDING INTERNATIONAL MONETARY SYSTEM. AFTER QTE LONG ABSENCE UNQTE OF SERIOUS PROBLEMS, HOWEVER, HE FELT THAT THIS WOULD BE DIFFICULT, AND STRESSED IMPORTANCE OF DEALING WITH PROBLEM WITH GREAT PATIENCEGM AS LONG AS WORLD TRADE CONTINUED TO EXPAND, PETTY DISSATISFACTIONS MIGHT BE IGNORED. HE FOUND GOOD SENSE BEING APPLIED TO NEW INTERNATIONAL TRADE ROUND ENCOURAGING, AND SAID THAT GODS HAVE NOT YET FORSAKEN MAN. NEVERTHELESS, HE CAUTIONED AGAINST KIND OF CLEAR-CUT DECISION POSSIBLE IN QT GLORIOUS PAST UNQTE WHEN DOLLAR WAS STABLE.

14. SECRETARY SAID THAT HE PROUD AND PLEASED TO ASSOCIATE WITH FINMIN AICHI IN MONETARY EFFORTS. HE ADDED THAT AICHI HAS BEEN CONSISTENTLY HELPFUL AND CONSTRUCTIVE, AND AS FORMER FONMIN HAS ACQUIRED BREADTH OF VISION THAT MINISTRY OF FOREIGN AFFAIRS SHOULD PROVIDE. OHIRA REPLIED THAT AICHI KEEPS PRIMIN TANAKA AND HIMSELF WELL INFORMED. BOTH SUPPORT AICHI'S EFFORTS, AND OHIRA ASSURED SECRETARY OF FULL GOJ COOPERATION WITH UNITED STATES, STRESSING THAT GOJ STRONGLY WISHES TO COOPERATE CLOSELY ON BASIS OF MUTUAL TRUST.

15. FOLLOWING INTRODUCTION BY SECRETARY, PETER FLANIGAN (CIEP) ENDORSED WHAT SECRETARY STATED SO WELL, AND EXPRESSED PERSONAL APPRECIATION FOR THIS OPPORTUNITY TO ATTEND MEETING. UNDERSECRETARY WILLIAM CASEY SAID THAT HE AND FLANIGAN HAVE HELD VALUABLE CONVERSATIONS WITH MITI MINISTER NAKASONE, AND FORMER MITI VICE MINISTER MOROZUMI ON ENERGY PROBLEM, WHICH DISCUSSED IN WASHINGTON WITH PRIMIN TANAKA. HE VOICED SATISFACTION WITH DETERMINATION ON BOTH SIDES TO BUILD COOPERATION, TO AGREE ON EMERGENCY ALLOCATION OF OIL, AND TO SHARE TECHNOLOGY AND DEVELOP NEW SOURCES OF ENERGY. HE NOTED DESIRE ON BOTH SIDES TO CONTINUE THESE DISCUSSIONS.

16. OHIRA SAID THAT MINISTER OF AGRICULTURE AND FORESTRY

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SAKURAUCHI WISHED TO DISCUSS STABLE FOOD SUPPLY DURING VISIT TO WASHINGTON EARLY IN OCTOBER. OHIRA NOTED WITH PLEASURE THAT ANNOUNCEMENT OF NEW CROP PROSPECTS IN UNITED STATES HAS BRIGHTENED PICTURE IN US, JAPAN AND AROUND WORLD, RESULTING IN EASING OF CONSUMER PRICE INCREASES.

17. SECRETARY STRESSED REPRESENTATIONS MADE BY PRIMIN TANAKA AND OHIRA, AT RECENT SUMMIT, AS WELL AS STRONG REPRESENTATIONS BY AMBASSADOR INGERSOLL, ALL STRONGLY IN PRESIDENT NIXON'S MIND WHEN HE ASSESSED SITUATION AND DECIDED TO ELIMINATE SOYBEAN EXPORT CONTROLS EARLIER THAN EXPECTED. NOTING THAT SOYBEAN PRICES DECLINED YESTERDAY, SECRETARY SAID THAT SOYBEANS ARE IN GOOD SHAPE. END DRAFT MEMCON UNQTE.

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